

Markets likely to cheer rising possibility of US rate cut

The week ahead

Regional markets

Regional markets should maintain some positive momentum this week, supported by rising expectations of an interest rate cut by the US this month. A rate cut by the US might be matched by some GCC countries owing to the currency peg, which will be beneficial for rate sensitive sectors like real estate.

However, investors may exercise some caution due to rising tensions between the UK and Iran, as the UK is deploying a second warship in the Arabian Gulf by next week. Al Mazaya Holding, Boubyan Bank, Commercial Bank of Dubai, Dubai Islamic Bank, Masraf Al Rayan and Qatar Fuel Company are scheduled to report 2Q19 earnings this week.

Global markets

The week begins with the release of China's 2Q19 GDP and June retail sales data on Monday. ZEW Economic Sentiment Survey (Jul) for the Eurozone and Germany, and the US retail sales (Jun) will be revealed on Tuesday. The US Federal Reserve's Chairman will also deliver a speech on Tuesday. On Wednesday, Eurozone and the UK's consumer inflation (Jun) will be followed by stats on Japan's trade balance (Jun). The UK's retail sales and Japan's consumer inflation (both Jun) constitute Thursday's major releases. Germany's producer inflation (Jun) will draw the week to a close on Friday.

You may be asked about

Saudi Arabian Oil Company (Saudi Aramco) has awarded 34 engineering, procurement and construction (EPC) contracts worth USD18 billion to boost oil and gas production at two offshore oilfields. The contracts will expand Marjan and Berri fields' crude oil production capacity by a combined 550,000 barrels per day (bpd) and natural gas output capacity by 2.5 billion cubic feet per day.

This will aid in maintaining the company's 12 million barrels per day (bpd) maximum sustained capacity by early 2020s. The contracts were secured by 16 companies, with local firms accounting for half of them. Saudi Aramco said the projects are also likely to generate thousands of direct and indirect jobs.

Note to management

Deutsche Bank announced a strategic change of direction last week: A complete withdrawal from the equities business, 18,000 job cuts, \$6bn of cost cuts by 2022, and a fundamental re-focus of its business towards its traditional customer group.

Desperate times call for desperate measures: Deutsche Bank has responded to a decade of shareholder value destruction by returning to its roots as a European corporate bank. Gone are the ambitions to compete with Wall Street's bulge bracket firms, and instead it has looked back to determine its future.

Christian Sewing, CEO, chose to do this with a humble apology, something that would have been unthinkable in the Deutsche Bank of old. Read our analysis [HERE](#).

REGIONAL CALENDAR

18.07.2019	KSA Weekly Money Supply Data	-
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GLOBAL CALENDAR

15.07.2019	China GDP Data	China Industrial Production
16.07.2019	Germany ZEW Survey-Economic Sentiment	US Retail Sales
17.07.2019	UK Consumer Price Index	US Housing Starts Data
18.07.2019	Japan National Consumer Price Index	UK Retail Sales
19.07.2019	Michigan Consumer Sentiment Index	UK Public Sector Net Borrowing

Food for thought

IR & BEYOND

Iridium / IR Magazine	Forward to the Past: The Decline and Fall of Deutsche Bank	Link
Bloomberg Blog	Saudi Arabia Insight: Heat map shows economy in third phase of cycle	Link
Ipreo	NIRI Annual Conference 2019 - Survey Findings	Link
Zawya	DFM and DIFC launch Dubai Sustainable Finance Working Group	Link
Invesco	Invesco Global Sovereign Asset Management Study 2019	Link

IN CASE YOU MISSED IT . . .

Regional markets, barring Oman, gained last week. Kuwait (+3.6%) hit a new 52-week high on 11 July, continued to be bolstered by MSCI's decision to upgrade Kuwaiti equities. Bahrain (+1.7%) was followed by Saudi Arabia (+1.4%), which was driven by strength in banking shares amid rising oil prices. Abu Dhabi (+1.1%) moved up further while Dubai (+0.9%) was primarily driven by gains in real estate shares. Qatar (+0.4%) was supported by buying from foreign institutions. However, Oman (-0.4%) fell for a third consecutive week. The US markets maintained positive momentum to end the week at new record closing highs. The markets were bolstered as the end of the Federal Reserve Chairman's testimony boosted expectations of interest rate cut by the central bank at the end of this month. Dow Jones (+1.5%) rose the most, followed by Nasdaq Composite (+1.0%) and S&P 500 (+0.8%). European indices, however, closed on a negative note as DAX (-2.0%), STOXX 600 (-0.8%), FTSE 100 (-0.6%) and CAC 40 (-0.4%) all slipped.

Q2 RESULTS	PROFIT (mn)	Y-O-Y%
United Electronics	SAR 72.5	+59.0%
Advanced Petchem	SAR 192.0	-24.2%
Almarai	SAR 582.5	-11.9%

BRENT FUTURES PRICE



ASSET CLASS MONITOR	WTD ↓	YTD
Oil	5.09%	23.64%
Aluminium	2.00%	-5.22%
MSCI GCC	1.39%	11.87%
S&P 500	0.14%	19.67%
MSCI World	-0.50%	16.13%
Gold	-0.87%	9.46%
MSCI EM	-0.89%	9.25%
FTSE 100	-1.23%	11.62%
US Treasury	-1.81%	-11.43%

EARNINGS CALENDAR	Market	Est/ Conf	Date
Widam Food Company	Qatar	C	15 Jul
Masraf Al Rayan	Qatar	C	15 Jul
Boubyan Bank	KUW	C	15 Jul
Dubai Islamic Bank	UAE	C	17 Jul
Commercial Bank of Dubai	UAE	C	17 Jul
Qatar Islamic Bank	Qatar	C	17 Jul
Ezdan Holding	Qatar	C	18 Jul

GLOBAL AGENDA

EU foreign ministers	To discuss Iran's non-compliance with the 2015 nuclear accord in Brussels
French President	To begin a two-day visit to Belgrade
NATO	Secretary General to open the Aspen Security Forum
France	government to present its plans for reforming the public retirement system
CEBRA	Central Bank Research Association to hold annual meeting in New York
China	To release 2Q19 GDP data
BOE Governor	To Speak at -"Bretton Woods: 75 Years Later"
Atlanta Fed President	To moderate a "Fed Listens" event in Augusta, Georgia
Malaysia	To end its current session of parliament
Earning Releases	JPMorgan, Morgan Stanley, Goldman, Citigroup, Netflix

MOST READ REGIONAL SECTOR HEADLINES

Energy	UAE seeks to invest in Indonesia's renewable energy
Transportation	UAE to allow 100% foreign ownership of maritime businesses
Industrials	Dussur and Hyundai agree to manufacture marine engines and pumps
Aviation	IATA: Middle East carriers' passenger demand -0.8% in May
Education	QIA leads \$150mn funding for Indian education startup BYJU'S
Utility	Dubai utility DEWA invites bids to study wind power project
Insurance	Moody's updates rating of CHUBB Arabia Cooperative Insurance Co. to 'A3'
Pharmaceuticals	UAE's Julphar seeks advisor to restructure as Saudi Arabia ban weighs
Financials	Al Rajhi Capital: United Electronics's securitization to have a positive impact
REIT	Fitch downgrades Emirates REIT to 'BB'; with a 'Stable' outlook

MOST READ REGIONAL COMPANY HEADLINES

DP World	Hires Citi, Dubai Islamic Bank and Standard Chartered for new 10-year Sukuk
Vodafone Qatar	expands GigaNet fiber network rollout in West Bay
Savola	Issues SAR1bn Sukuk
ADNOC	Discusses cooperation in LNG projects with Russia
Sparrows Group	wins first rigging maintenance contract in Qatar
Qatar Airways	Signs multiple agreements for GE engines valued over \$5bn
Saipem	CEO: Saudi Arabian contracts part of natural gas shift
Ooredoo	Inks 10-year deal with NCR to upgrade SSMS
Noor Bank	Raises over \$136.12mn for Azimut's fixed maturity plan
Ethihad Rail	To seek about \$2bn in financing

REGIONAL MARKETS	Last Close	YTD %	QTD %	MTD %	M-Cap (bn)	P/E (ttm)
Saudi Arabia	8968.23	14.6%	1.7%	1.7%	\$567.6	20.0x
ADX	5052.43	2.8%	1.5%	1.5%	\$139.3	15.0x
DFM	2685.58	6.2%	1.0%	1.0%	\$73.1	11.9x
Nasdaq Dubai	3188.39	3.7%	1.6%	1.6%	NP	NP
Qatar	10613.32	3.1%	1.5%	1.5%	\$138.8	15.1x
Bahrain	1537.09	14.9%	4.5%	4.5%	\$24.0	11.2x
Oman	3808.32	-11.9%	-2.0%	-2.0%	\$11.9	7.5x

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